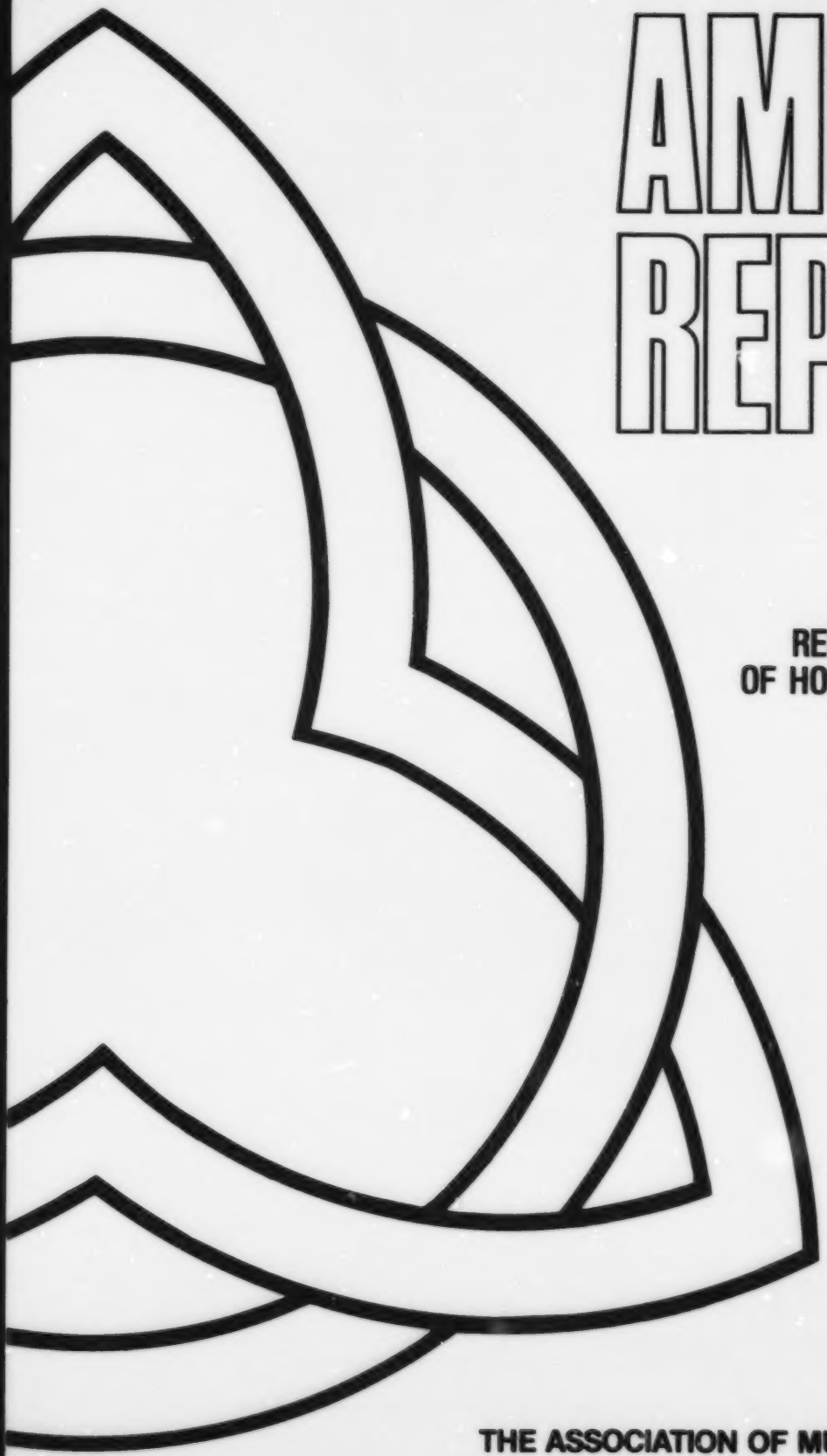

AMO REPORTS 86-1

RESPONSE TO THE MINISTRY OF HOUSING'S 1985 NON-PROFIT HOUSING PROPOSAL

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO
JANUARY 1986

86-02239/

ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Association of Municipalities of Ontario, a non-partisan voluntary organization, is united to promote the values of the municipal government system and the status of the municipal level of government as a vital and essential component of the total intergovernmental framework of Ontario and Canada.

The Association acts as the collective voice of Ontario's municipal governments and is organized to accomplish through cooperation and coordination, what the majority have neither the time nor the resources to do individually.

The Association represents some six hundred (600) municipal governments throughout Ontario. The governing body is composed of some eighty (80) municipal elected and appointed officials, who in turn represent a wide-range of municipal government interest.

The following sections and affiliated municipal professional associations form an important part of the Association's structure and therefore, play an important part in its activities in terms of the Board of Directors, program and policy development:

Association Sections:

* County and Regional Section
* Large Urban Section
* Northern Ontario Section (FONOM/NOMA)
* Rural (ROMA) Section
* Organization of Small Urban Municipalities Section

Association Affiliates:

* Association of Municipal Clerks and Treasurers of Ontario
* Association of Municipal Tax Collectors of Ontario
* Municipal Engineers Association
* Ontario Municipal Administrators Association
* Ontario Municipal Personnel Association
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AMO Report 86-1 "Response to the Ministry of Housing's 1985 Non-Profit Housing Proposal" was submitted to the Honourable Alvin Curling, Minister of Housing and the Honourable Bernard Grandmaitre, Minister of Municipal Affairs on January 21, 1986.

Response to the Ministry of Housing's 1985 Non-Profit Housing Proposal

INTRODUCTION

The Association of Municipalities of Ontario (AMO) appreciates the opportunity to comment upon proposals recently developed by the Ontario Ministry of Housing with respect to the design of a new non-profit program. In recent years AMO has submitted a number of reports and recommendations to the province intended to improve the delivery and administration of social housing. AMO is pleased to see many of its suggestions reflected in current proposals.

A major thrust of the Ministry's proposal is the establishment of minimum performance criteria, together with flexibility to accommodate varying circumstances in different communities. With such flexibility built into program regulations, AMO supports the principle promoted by the Ministry that social housing producers should be governed by a single program. This should ensure consistent use of taxpayers' dollars to achieve clearly specified objectives.

The remainder of these comments are grouped under headings used by the Ministry in its own presentation.

CLIENT GROUPS TO BE SERVED

Eligibility

AMO supports the recommended reduction in the senior citizen age limit to 55, the consideration given to innovative proposals for housing low-income single people and the setting aside of a portion of the provincial allocation for special needs groups.

The retention of traditional eligibility criteria, however, is disappointing. AMO has recommended the extension of eligibility for rent-geared-to-income (RGI) assistance to singles and childless couples over 45 years of age, and that single parents and couples in RGI units remain eligible for a unit when their children leave home, regardless of the age of the parents. It is recommended that provisions for assistance be broadened in this way.

In the Ministry's presentation, it is proposed that specific requests from low income singles housing corporations would be considered. AMO sees no necessity to require the incorporation of such bodies. The needs of

low income singles can be (and have been) addressed by conventional social housing agencies, which encompass such needs in their mandate.

The consultative process suggested to handle special-needs projects responds to AMO's call for co-ordinated approval of housing and support services. It is hoped that this co-ordination materializes so that sponsoring groups are able to use a "one stop" approach to secure required funding.

RECOMMENDATIONS

1. **AMO recommends the extension of eligibility criteria for rent-geared-to-income assistance for singles and childless couples over 45 years of age, and that single parents and couples in RGI units remain eligible for a unit when their children leave home, regardless of the age of the parents.**

2. **With respect to low income singles housing corporations, AMO recommends that the incorporation of such bodies should be at the discretion of the municipality. (See Appendix A for minority position)**

INCOME INTEGRATION AND TARGETING

AMO has endorsed both general principles and specific recommendations for social housing which seek assistance to clearly defined low and moderate income households, achieving full integration across these target groups. Therefore, AMO supports the provincial recommendation to establish a minimum level of tenants in greatest need, but accommodating any desired combination of deep or shallow assistance above that minimum.

AMO believes responsible social housing agencies will provide as much individual assistance as possible, given limits of community acceptance and practical management concerns. However, as a province-wide standard, AMO stands by its previous position that the minimum level of deep subsidies should be 25 per cent of units. This still permits the Ministry to allocate within any area according to the targeting planned in individual projects.

RECOMMENDATION

3. **AMO recommends that there be a provision for a deep subsidy for a minimum of 25% of tenants with agency flexibility to exceed the minimum.**

FINANCIAL ASSISTANCE AND RENT SETTING

In terms of rent setting, it is recognized that, given the operating subsidy structure, initial rents cannot reflect costs and therefore must be set on some artificial basis. AMO has recommended that if rents are to be related to the private market, they should take into account the total market, and not just the new top end of the market as has been the practice until now. This will help to avoid any polarization of market and rent-geared-to-income tenants. Provincial appraisals should recognize the planned flexibility in setting the rent-geared-to-income proportion, which will surely have an impact on the marketability of non-RGI units in a project. Rents would have to be adjusted accordingly.

AMO welcomes the shift to a cost-based formula for determining rent increases. This will be more understandable to tenants and provide an incentive for all concerned, to control costs. The formula proposed raises the possibility of the generation of surpluses. It is very important that controls be placed upon these monies and any interest accruing on their investment, to ensure that they are definitely used for social benefits.

RECOMMENDATIONS

4. **AMO recommends that the process of establishing rents should take into account the total private market including rent-controlled and non-controlled units, in order to support the attainment of an income mix amongst the tenants.**

5. **AMO has also recommended that rent adjustments should have a relationship to operating costs. AMO further recommends that controls be placed on the generation of surpluses resulting from the shift to a cost-based formula for determining rent increases to ensure that they are definitely used for social benefits.**

DELIVERY AND ALLOCATION

AMO supports the Ministry's expressed objective of one allocation system for all social housing units, assuming that the system is fair. To avoid real or perceived favouritism and to ensure needs are met equitably and effectively, it is essential that the distribution of allocations conform to objective measures of need and of project and agency performance. Thus AMO generally is in agreement with the allocation procedures presented by the Ministry. However, given that levels of assistance will

vary from project to project, care must be taken to ensure sufficient flexibility in funding to accommodate this variation.

AMO supports a central allocation of 10 per cent of units for special needs housing and a distribution of the regional allocation based on core need and inventory shortfall, with a separation into family and seniors projects proportional to need.

Incentive Loans and Grants (ILAG) funding is offered only to first time producers who are told to proceed to the concept phase of development. Since most of these projects will proceed to construction and advances will be recovered, there is no reason to distinguish between first time and established producers: cash flow problems will exist in most groups.

The final allocation is proposed to take into account project acceptability and administrative capability. On the former, it is AMO's belief that once reasonable design and price guidelines are established, those guidelines should be used for approval and subsidy calculation purposes. Departures from the guidelines, especially lower costs, should not be used to prioritize projects. This would provide an incentive to "low-ball" cost estimates and to cut costs, to the long-term detriment of marketing and maintenance. With regard to administrative capabilities, even if AMO's request for a longer commitment horizon cannot be met (and AMO supports the Ministry's efforts with CMHC on this issue), it should at least be possible to guarantee a minimum annual allocation to agencies with ongoing development plans, which have a demonstrated record in meeting program objectives. This will assist planning, maintain expertise in the sector, and ensure take-up of available allocations.

RECOMMENDATIONS

6. **AMO generally endorses the allocation procedures presented by the Ministry. AMO recommends, however, that sufficient flexibility in funding be ensured to accommodate variations from project to project.**

7. **AMO further recommends that no distinction be made between first time and established producers instructed to proceed to concept stages of planning, with respect to Incentive Loans and Grants funding.**

8. **AMO further recommends that once reasonable design and price guidelines are established, those guidelines should be used for approval and subsidy calculation purposes. With**

regard to administrative capabilities, AMO recommends a guaranteed minimum annual allocation to agencies with ongoing development plans, which have a demonstrated record in meeting program objectives.

SOCIAL HOUSING PRODUCT AND COST CONTROL

While AMO concurs with the Ministry's desire to develop "modest" housing, it should be recognized that this is a subjective term. The need to confine projects to minimum standards and minimum costs must be balanced against the need for community acceptance and marketability and must respect the broader framework of social housing policy objectives. Standards should be flexible enough to accommodate guidelines acceptable to the Ministry, which have been implemented by competent social housing producers to reflect their own environment.

The two-tiered Fair Unit Price is an acceptable concept but care should be taken that overly stringent controls on price and design do not undermine the long-term success of the program. Fair Unit Price limits should take account of variations in design standards, location (with more sensitivity to intra-urban cost differences than has been the case), site conditions, design limitations (including project size and planning requirements) and life cycle cost factors.

With respect to the acquisition and rehabilitation of existing units, AMO's position remains that this option should be one of agency discretion, and not subject to arbitrary approval criteria. Cost advantages and neighbourhood stabilization can come about in many instances other than the ones suggested by the Ministry, which are essentially "save" or conversion situations.

RECOMMENDATION

9. **AMO recommends that standards be flexible enough to accommodate guidelines acceptable to the Ministry which have been implemented by competent social housing producers to reflect their own environment. Further, AMO recommends that Fair Unit Price limits take account of variations in design standards, location, site conditions, design limitations, and life cycle cost factors. With respect to the acquisition and rehabilitation of existing units, AMO recommends that this option be one of agency discretion.**

ADMINISTRATION

AMO applauds the intent to permit portfolio management of this program, long advocated by AMO as a means to save money and facilitate more equal treatment of all tenants of individual housing corporations. The Ministry is urged to work toward consolidated management of existing portfolios.

RECOMMENDATION

10. **AMO recommends that the Ministry continue to work toward consolidated management of existing portfolios.**

CONCLUSIONS

The proposals presented by the Ministry of Housing are to be commended for their improved targeting and flexibility relative to current and past programs. Many of these improvements mesh with earlier AMO recommendations. We would, however, like to reiterate our concern with the increase in the deep-subsidy component of the program and hope that the Ministry will give careful consideration to our recommendation that the minimum level of deep-subsidy be 25% with the agency flexibility to exceed the minimum.

As the detailed procedures and the technical components of program delivery are developed, it is imperative that they reinforce the important principles of targeting, integration and flexibility.

The Ministry is moving to consolidate program administration at the provincial level (as opposed to the split federal and provincial involvement to date). This is a logical move from the perspective of consistency and greater sensitivity to more localized needs. AMO believes that municipal governments that are capable and willing should be entrusted with program administrative responsibilities.

Finally, the Association congratulates the Ministry for the consultative process used to date. AMO trusts that this consultation will continue as regulations are developed and as program performance is monitored.

SUMMARY OF RECOMMENDATIONS

1. AMO recommends the extension of eligibility criteria for rent-geared-to-income assistance for singles and childless ocuples over 45 years of age, and that single parents and couples in RGI units remain eligible for a unit when their children leave home, regardless of the age of the parents.

2. With respect to low income singles housing corporations, AMO recommends that the incorporation of such bodies should be at the discretion of the municipality. (See Appendix A for minority position)

3. AMO recommends that there be a provision for a deep subsidy for a minimum of 25% of tenants with agency flexibility to exceed the minimum.

4. AMO recommends that the process of establishing rents should take into account the total private market including rent-controlled and non-controlled units, in order to support the attainment of an income mix amongst the tenants.

5. AMO has also recommended that rent adjustments should have a relationship to operating costs. AMO further recommends that controls be placed on the generation of surpluses resulting from the shift to a cost-based formula for determining rent increases to ensure that they are definitely used for social benefits.

6. AMO generally endorses the allocation procedures presented by the Ministry. AMO recommends, however, that sufficient flexibility in funding be ensured to accommodate variations from project to project.

7. AMO further recommends that no distinction be made between first time and established producers instructed to proceed to concept stages of planning, with respect to Incentive Loans and Grants funding.

8. AMO further recommends that once reasonable design and price guidelines are established, those guidelines should be used for approval and subsidy calculation purposes. With regard to administrative capabilities, AMO recommends a guaranteed minimum annual allocation to agencies with ongoing development plans, which have a demonstrated record in meeting program objectives.

9. AMO recommends that standards be flexible enough to accommodate guidelines acceptable to the Ministry which have been implemented by competent social housing producers to reflect their own environment. Further, AMO recommends that Fair Unit Price limits take account of variations in design standards, location, site conditions, design limitations, and life cycle cost factors. With respect to the acquisition and rehabilitation of existing units, AMO recommends that this option be one of agency discretion.

10. AMO recommends that the Ministry continue to work toward consolidated management of existing portfolios.

APPENDIX A

AMO SECTION MINORITY REPORT

Small Urban Section (OSUM) - Recommendation 2:

With respect to low income singles housing corporations, the Small Urban Section of AMO feels that the needs of low income singles should be addressed by conventional social housing agencies. The Small Urban Section, therefore, does not endorse the incorporation of separate bodies for the purposes of accommodating low income singles.

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